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IN THE

Supreme Court of the United States

No. 487
October Term, 1970

CLARENCE H. STEVENSON III,

Petitioner,

vs.

DIEBOLD, INCORPORATED,

Respondent.

Petitioner's Reply to Respondent's Brief in Opposition to Petition for Writ of Certiorari.

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Petitioner's Reply to Respondent's Brief in Opposition to Petition for Writ of Certiorari.

I.

Stevenson's License Gave FMC Exclusive Control of This Litigation Until FMC Relinquished It.

Petitioner Stevenson did not file any brief on appeal because his license [Pltf. Ex. 12] gave FMC the exclusive control of all litigation involving his patent.

The license states on Page 6, Paragraph 9 that:

> "Stevenson hereby grants to FMC the exclusive right, during the term of this agreement, to institute and prosecute suits for the infringement of the letters patent comprehended hereby, and hereby empowers FMC to join Stevenson as a party plaintiff, or to use Stevenson's name in any way necessary or desirable for the institution and prosecution of any such suit or suits."

After the Court of Appeals reversed the trial court, FMC relinquished control of any further litigation in this suit to Stevenson. FMC's reason may be that suggested by respondent's counsel at trial when he advised the District Court that:

> "Food Machinery Corporation entered into what I regard as a rather ill-advised contract with Mr. Stevenson by which they agreed to pay him a 5% royalty on every pallet loader that they make commercially involving these supposedly important inventions, and they are really hooked. That contract is in evidence as one of the exhibits to these depositions and we will pull it out later and put it in. They are really hooked.
>
> But there is a clause in there that if these claims are held invalid then Food Machinery is off the hook. So Food Machinery is in this court in the position of 'heads I win, tails Lamson loses.' If they should by any chance get this patent sustained, then of course they have got a valuable patent for which they can, of course, mulct us. On the other hand, if the patent is not valid, they escape from the very substantial 5% royalty which otherwise they would have to pay to Mr. Stevenson." [R.T. pp. 66 and 67].[1]

Whatever the reason may have been for FMC not proceeding with this law suit, the fact that the Stevenson-FMC license agreement prevented Stevenson from controlling the litigation, until released by FMC, should not prejudice his right to be heard by this Court.

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[1]References herein are as follows: "A, (page number)" refers to pages of the appendix to this petition. "R.T. (page number)" refers to pages of the reporter's transcript from the District Court. "Ex. (number or letter)" refers to exhibits admitted in evidence by the District Court. "T.R. (page number)" refers to transcript of record.

II.

The Parties Did Not Stipulate That the Bruce Control Circuit Was Suitable for Use With a Movable Pin.

The stipulation on which respondent relies for supporting the conclusion by the Court of Appeals that the Bruce control device was suitable for use in an automatic palletizer of the type claimed in Stevenson's patent is set forth in full at T.R. 67, and it reads as follows:

> "1. The pallet loader described in Bruce Patent 2,633,251, the pallet loader or palletizer described in Stevenson Patent 2,815,846 in suit, the PAI pallet loaders made and sold by Production Aids Incorporated, and the Lamson pallet loaders made and sold by defendant, each has as one of its purposes to form articles in an interlocking layer of a predetermined geometric pattern, and to that end, all have the following features in common:
>
> (1) a roll conveyor for packages or articles to be palletized, which conveyor is in effect a part of the pallet loader proper and is of the live roll type, that is, its rolls are power driven;
>
> (2) guide means for establishing the position of articles traveling on said live roll conveyor;
>
> (3) a first switch means operated by the articles carried by said live roll conveyor;
>
> (4) an electric article counter actuated by the closing of said first switch means;
>
> (5) a second switch means operated by said article counter;
>
> (6) article orienting means adapted to effect turning of a pre-selected article about an axis perpendicular to said live roll conveyor into a

position substantially at right angles to its original position; and

(7) power drive means actuated by said second switch means for moving said orienting means to and from its operative position."

Although the stipulation states that the Bruce patent had a number of features in common with the palletizer defined by the Stevenson patent claims, it does not say that the Bruce control device was suitable for combination with a movable pin. The statement by FMC's counsel referred to by respondent was made during the taking of depositions and was part of the negotiations leading to the actual stipulation entered into by the parties. The controlling language, of course, is the stipulation filed with the District Court, and not the language of the negotiations leading to that stipulation.

Moreover, the unsuitability of the Bruce control circuit for combination with the Stevenson movable pin was shown at trial during the cross-examination of petitioner as follows:

Q You are referring perhaps to the Broberg deposition?

A That could be it. I am not sure which deposition.

Q And Mr. Broberg recited instances in which the pin similar to the original Pepsi-Cola pin burned out—

A I think that is correct.

Q Because the carton was sitting on top of the pin and the solenoid couldn't do its job?

A I think that is correct.

Q And that they had to modify the construction in order to overcome that?

A I think probably the trouble there was not the trouble with the solenoid as much as it was with their electrical circuit. You see, they had been using timing means so that the pin[2] came up underneath the carton, and in my case I had timing means so that the carton, or the pin, came up ahead of the carton, and I think probably they had some trouble with their electrical circuits because the pin came up underneath the carton. [R.T. pp. 175 and 176].

III.

The Court of Appeals Did Not Determine the Obviousness Question as of the Time the Invention Was Made, as Required by 35 U.S.C. 103.

Contrary to respondent's assertion that petitioner did not direct attention to the reasoning upon which the Court of Appeals bases its decision, page 7 of the petition sets forth the ground for the reversal, and quotes the following remark made by the Court of Appeals:

> "Anyone looking at this litigation *today*[3] would wonder why Bruce adapted a suitable control device to a complicated, unreliable turning mechanism when Stevenson's solution appears so much more apparent and desirable." (A. p. 10).

The error of the Court of Appeals is manifest from the above quotation because it is clear that the Court of Appeals examined the obviousness question as of "today" (decided February 17, 1970) instead of "the time the invention was made" (Stevenson's original application filed June 9, 1948) as required by 35 U.S.C. 103. Any invention is going to seem "obvious" twenty-two years after it is made.

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[2]Should read "table".

[3]Emphasis added.

IV.

Whether the Question of Obviousness Under 35 U.S.C. 103 Is One of Fact or Law Has Not Yet Been Decided by This Court.

Respondent argues that the question of obviousness is one of law and cites *A & P Tea Co. v. Supermarket Corp.*, (1950) 340 U.S. 147, and *Crest Specialty v. Trager*, (1951) 341 U.S. 912. Both of these cases were decided before the enactment of the present patent statute, which became effective January 1, 1953 (Public Law 593, 82d Cong., 2d sess., ch. 950; 66 Stat. 792). *Graham v. John Deere Co.*, (1966) 383 U.S. 1, also cited by respondent, did not hold that the question of obviousness is one of law. This Court did say in that case:

> "While the ultimate question of patent validity is one of law, . . . the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. . . ." (383 U.S. 17).

The ultimate question of patent validity is one of law, but obviousness is a question of fact.

The District Court determined the level of ordinary skill in the pertinent art at the time the invention was made, and found that "the turning pin combination, while admittedly simple, achieved results and advan-

tages which could not be foreseen readily and which are properly classified as invention." (A. pp. 42 and 43).

Respondent urges that the *A & P, Crest Specialty,* and *Graham* cases contained factual determinations analogous to the present case. However, the invention in each of those cases resided in essentially one element, and the Court found it unnecessary to consider the devices as a whole. Thus, the determination of obviousness in those cases was reduced to that of whether or not the element performed any differently in the patented device from the way it did in the prior art.

V.

A Clear Ruling Whether Obviousness Is a Question of Law or Fact Is of Great Public Importance Because It Will Produce a Uniform Treatment of Patent Cases Irrespective of Where They Are Tried.

Lane & Co. v. Western Well Works, (1923) 261 U.S. 387, cited by respondent as authority for denying this petition, limits certiorari to cases involving principles which are important to the public as distinguished from that of the individual parties. This is such a case because the public interest will suffer if the Ninth Circuit continues its piecemeal examination of claimed elements to determine whether they are old, and then routinely holds the claim invalid if each of the elements is old, without addressing itself to the invention as a whole as required by 35 U.S.C. 103.

The present case is one of a number of similar decisions[4] in the Ninth Circuit that are in conflict with

[4]*E.g.,* The *Bada Company v. Montgomery Ward & Co., Inc., et al.,* 426 F. 2d 8, Petition for Writ of Certiorari No. 597, Oct. Term, 1970.

the decisions of other courts of appeal on important questions of federal law. The harsh standard of patentability or obviousness imposed by the Ninth Circuit is readily apparent from comparing its decisions with the views expressed by Giles S. Rich, Associate Judge of the United States Court of Customs and Patent Appeals in his article entitled "Principles of Patentability" in The George Washington Law Review, Volume 28, January, 1960, No. 2. On pages 401 and 402 of that article, Judge Rich states that:

> "To do the job of promoting progress, the incentives afforded by patent protection have to be maintained to the point where they will encourage production, even of things that patent office examiners may think are inferior. They could be wrong and the inventor should have his chance. The marketplace will pass judgment. If that judgment goes against the patentee, as it frequently does, even with respect to inventions which look good to the patent office, there has been no loss to the public. It is difficult to understand the attitude of those who feel that *ideally* a patent should be granted only for the meritorious invention which is capable of being a commercial success. Patents are not Nobel or Pulitzer prizes! They are not for *exceptional* inventors but for average inventors and should not be made hard to get."

Finally, the public importance of the question presented by this petition is well pointed up by Arthur M. Smith, Associate Judge, United States Court of Customs and Patent Appeals, in his book entitled "Patent Law" published in 1964 by Overbeck Co., Publishers,

at Ann Arbor, Michigan. On page 502, Judge Smith treats the problem as follows:

> "NOTE—'OBVIOUSNESS': A QUESTION OF LAW OR OF FACT?
>
> Whether the issue of the 'obviousness' of the differences between an invention and the prior art to one having ordinary skill in the art is considered a question of law or a question of fact may be a crucial factor in patent litigation. Resolution of a question of fact is normally for the jury, if one is involved, and even if the judge serves as finder-of-fact, appellate courts are generally quite reluctant to overturn factual determinations. On the other hand, questions of law are always fully reviewable upon appeal, and the findings of the lower tribunal with respect to the law involved are generally given very little weight.
>
> In 1936, in the case of United States v. Esnault-Pelterie, 299 U.S. 201 (1936), the Supreme Court without qualification held that 'validity and infringement are ultimate facts on which depends the question of liability. In actions at law, they are to be decided by the jury.' Although this holding has never been expressly overruled, serious doubts as to its continuing vitality were raised by Justice Douglas' concurring opinion in the A & P case, where he said, 'the question of validity of a patent is a question of law, . . .' Justice Douglas cited as authority the early case of Mahn v. Harwood, 11 U.S. 354 (1884), which included a dictum to the effect that the question of patentable invention is 'a question of law.'

An excellent discussion of the problem may be found in Jessup, 'Defining the Undefinable—Section 103,' Paper Presented before the Seventh Annual Conference of the Lawyer's Institute, Chicago (Feb. 1963). In his paper, Mr. Jessup states that the question of whether obviousness is an issue of law or of fact 'appears to offer promise of further profitable exploration by patent trial counsel in the years ahead.' The author indicates that the lower federal appellate tribunals have assumed quite divergent viewpoints since the enactment of section 103. Apparently following the teaching of the Esnault-Pelterie case in styling the question of obviousness as one of fact are the First, Sixth and Eighth Circuits. See, *e.g.*, Emerson v. National Cylinder Gas Co., 251 F.2d 152 (1st Cir. 1958); Sterling Aluminum Prods., Inc. v. Bohn Aluminum & Brass Corp., 298 F.2d 538 (6th Cir. 1962); Steffan v. Weber Heating & Sheet Metal Co., 237 F.2d 601 (8th Cir. 1956). See also In re Lulek, 305 F.2d 864 (C.C.P.A. 1962) for the view of the Court of Customs and Patent Appeals. On the other hand, the Second, Fourth, Seventh, Ninth and Tenth Circuits seem to hold that obviousness is a question of law. See, *e.g.*, Titcomb v. Norton Co., 307 F.2d 253 (2d Cir. 1962); American MonoRail Co. v. Parks-Cramer Co., 245 F.2d 739 (4th Cir. 1957); Armour & Co. v. Wilson & Co., 274 F.2d 143 (7th Cir. 1960); Bergman v. Aluminum Lock Shingle Corp. of America, 251 F.2d 801 (9th Cir. 1957); Blish, Mize & Silliman Hardware Co. v. Time Saver Tools, Inc., 236 F.2d 913 (10th Cir. 1956). Decisions of the remaining Circuits, the

Third, Fifth and District of Columbia, are rather ambiguous and are difficult to classify. See, *e.g.*, Packwood v. Briggs & Stratton Corp., 195 F.2d 971 (3d Cir. 1957); Noe v. Smith, 300 F.2d 430 (5th Cir. 1962); Watson v. Bersworth, 251 F.2d 898 (D.C. Cir. 1958).

The student should consider the striking similarity between a 'person having ordinary skill in the art' in patent litigation, and the familiar and age-old 'reasonably prudent man' at common law. Arguably, since whether a particular act was to be expected of a man of 'reasonable prudence' is normally a question of fact, the analogy should hold true, and the question of whether the differences between the subject matter to be patented and the prior art would have been obvious to a 'person having ordinary skill in the art' should likewise be one for the fact finder."

By granting this petition, this Court can remove the confusion which now surrounds the question of obviousness in determining patentability.

Respectfully submitted,

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